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ARIZONA CORPORATION COMMISSION

September 5, 2003

Chairman Marc Spitzer
Commissioner Jim Irvin
Commissioner Bill Mundell
Commissioner Jeff Hatch-Miller
1200 West Washington
Phoenix, Arizona 85007

Re: APS Rate Case: E-01345A-03-0437

Dear Colleagues:

I invite you to review the attached document created using the information provided in APS' August 7 letter. APS' letter responded to my July 24 letter asking what APS' rate application would look like without presuming the inclusion of PWEC's assets in APS' rate base.

In Schedule A-1 of APS' Application, APS proposes a revenue increase of \$166.8M. In APS' August 7 letter, APS notes that of this \$166.8M, \$106.6M is to cover the costs of the PWEC assets. ***Without the PWEC assets, APS' proposed revenue increase drops to \$68.4M*** [(\$166.8M - \$106.6M) + \$8.2M CRCC surcharge = \$68.4M].

This revised revenue requirement produces a rate increase of 3.80% for residential customers instead of APS' proposed 9.73% increase.

APS' letter states that excluding the PWEC assets in the APS rate base would trigger other costs that APS did not include in its Application. I have invited APS to expand on this statement in APS' filed testimony. I look forward to their response.

Sincerely,

A handwritten signature in cursive script, appearing to read "mgle", is written over the printed name.

Mike Gleason
Commissioner

Enclosure

c: Parties to the Docket

**Prorata adjustment to Exhibit A-1 of Standard Filing Requirements
And Tarriff Submitted June 27, 2003 demonstrating removal of PWEC assets.
Adjustment based on revenue requirement data from Pinnacle West letter to
Commissioner Gleason August 7, 2003.
(Dollars in Thousands)**

	<i>Without PWEC Assets</i>		<i>With PWEC Assets</i>	
	Projected Revenue Increase Due to Rates	% Increase	Projected Revenue Increase Due to Rates	% Increase
Residential	33,846	3.80%	86,586	9.73%
General Service	33,913	3.84%	86,758	9.82%
Irrigation	81	3.85%	207	9.86%
Outdoor Lighting	407	3.77%	1,041	9.64%
Dusk-to-Dawn	<u>195</u>	3.74%	<u>498</u>	9.58%
Total Increase in Revenue Requirements	68,442		175,090	

Note that the August 7, 2003 Pinnacle West letter contains the following text:

"Without the assumption that the new generating units would be included in rates (an assumption consistent with APS' stated intentions of the past year), APS would not have simply submitted the present rate filing less the revenue requirements impact of the new generation.

The entire rate application would have been significantly different.

In Mr. Robinson's Direct Testimony, he references cost-of-service adjustments that could legitimately have been made that would have further increased the APS revenue requirement but which were not requested by APS in the original application."